

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 EB-03 NSC-05 NSCE-00 INR-05

CIAE-00 L-01 SP-02 H-01 OMB-01 (ISO) W

----- 031075

R 021128Z JUL 75

FM AMEMBASSY DOHA

TO SECSTATE WASHDC 0637

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY ANAMA

AMEMBASSY LONDON

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

C O N F I D E N T I A L DOHA 0797

LIMDIS

E.O. 11652: GDS

TAGS: ENRG QA

SUBJ: QATAR PETROLEUM COMPANY TERMINATES CRUDE PURCHASE CONTRACT

REF: DOHA 0788

1. OFFICIAL AT QATAR PETROLEUM COMPANY CONFIRMED THAT COMPANY TERMINATED PURCHASE CONTRACT FOR BUY-BACK OIL ON JULY 1 AS RESULT OF CONTINUING IMPASSE OVER PRICE. ADDRESSEES ARE CAUTIONED THAT SOURCE MUST BE PROTECTED SINCE VERY FEW QPC EMPLOYEES AWARE OF TERMINATION AND OFFICIAL COULD BE EASILY TRACED IN EVENT OF LEAK. SOURCE SAID THAT HE UNAWARE OF ANY GOQ REACTION TO QPC MOVE.

2. OFFICIAL SAID QPC HAS ESTIMATED JULY PRODUCTION WILL BE 142,000 BPD, APPROXIMATELY 64 PERCENT OF THE 223,000 BPD PRODUCTION CEILING IMPOSED BY GOQ AND CONSIDERABLY ABOVE 99,000 BPD JUNE AVERAGE (REFTEL). OFFICIAL EXPRESSED OPINION
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THAT GOVERNMENT WILL EVENTUALLY CAVE IN ON PRICES AS RESULT

OF CONCERN OVER REVENUE LOSSES. HE NOTED THAT QPC PAYMENTS TO GOQ FOR SECOND QUARTER 1975 LIFTINGS WILL BE ABOUT \$106 MILLION, A 40 PERCENT DROP FROM SECOND QUARTER 1974.

3. PRIOR TO TERMINATION OF PURCHASE CONTRACT, WE WERE INFORMED BY OFFICIAL AT STATE OWNED QATAR GENERAL PETROLEUM CORP (QGPC) THAT GOVERNMENT WOULD NOT CONSIDER ANY PRICE CHANGES UNTIL END OF AUGUST. OFFICIAL ADDED THAT IF EXPECTED INCREASE IN DEMAND FOR CRUDE DID NOT OCCUR BY THAT TIME, PRICE ISSUE MIGHT BE RE-EXAMINED. IN RESPONSE TO QUESTION ABOUT POSSIBLE COMPANY ACTION TO TERMINATE PURCHASE CONTRACTS OFFICIAL SAID GOVERNMENT NOT PARTICULARLY CONCERNED AS LONG AS COMPANIES CONTINUED TO PRODUCE ENOUGH OIL TO SUPPLY INDEPENDENT BUYERS THAT HAVE CONTRACTS WITH GOQ (QPC'S SHARE IS 53,000 BPD).

4. COMMENT: THUS FAR, WE UNAWARE OF ANY GOQ RESPONSE TO PURCHASE CONTRACT TERMINATION. GIVEN SUBSTANCE PARA 3 AND PREVIOUS STATEMENTS BY GOVERNMENT OFFICIALS THAT REVENUES GENERATED BY 1974 PRODUCTION LEVEL FAR IN EXCESS OF WHAT IS NECESSARY TO SUSTAIN PRESENT RATE OF DEVELOPMENT, WE BELIEVE IT MORE LIKELY THAT GOQ WILL SIT BACK AND AWAIT PETROLEUM MARKET DEVELOPMENTS RATHER THAN BACK DOWN ON PRICES OR CONFRONT COMPANY WITH ULTIMATUM TO PRODUCE OR PULL OUT.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROCUREMENT, PETROLEUM, SALES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUL 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DOHA00797
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750229-0742
From: DOHA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750789/aaaadbiw.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 DOHA 0788
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2003 by BoyleJA>; APPROVED <05 NOV 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: QATAR PETROLEUM COMPANY TERMINATES CRUDE PURCHASE CONTRACT
TAGS: ENRG, QA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006